



Office of the Inspector General
U.S. Department of Justice



**Audit of the
Office of Justice Programs
Office of Juvenile Justice and
Delinquency Prevention
Award to
Communities in Schools, Inc.
Arlington, Virginia**

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS
OFFICE OF JUVENILE JUSTICE AND DELINQUENCY PREVENTION
AWARD TO COMMUNITIES IN SCHOOLS, INC.
ARLINGTON, VIRGINIA**

EXECUTIVE SUMMARY

The Department of Justice (DOJ) Office of the Inspector General (OIG), completed an audit of the Office of Juvenile Justice and Delinquency Prevention (OJJDP) grant number 2011-JU-FX-0006 totaling \$2,500,000 awarded to Communities in Schools, Inc. (CIS), based in Arlington, Virginia. The OJJDP awarded the grant through its Multi-State Mentoring Initiative, which builds the capacity of community programs to provide mentoring services to high-risk, underserved populations. Through this grant, CIS facilitates mentoring of students through affiliated sub-recipient partners across the country.

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, federal financial reports, budget management and control, drawdowns, expenditures, and program performance.

Overall, our audit found that CIS transactions were properly authorized and charged to the grant. However, we found that CIS did not adequately monitor its sub-recipients' expenditures to ensure the costs claimed were allowable, supported, or in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. We identified over \$1.8 million in sub-recipient expenditures and associated indirect costs that we determined to be unsupported costs. We also found \$177,646 in funds not yet disbursed that can be put to better use.

Additionally, we found that while CIS performance was consistent with the overall goals and objectives of the grant, it did not maintain adequate records to support program accomplishments that it reported to OJJDP. Further, we found that CIS needs to strengthen its procedures to ensure that sub-recipients conduct required background checks on all mentors participating in the program.

Based on our audit results, we made six recommendations to address over \$1.9 million in dollar-related findings, improve sub-recipient financial monitoring, enhance recordkeeping for performance-related data, and strengthen procedures for verifying background checks are completed for participating mentors.

**AUDIT OF THE OFFICE OF JUSTICE PROGRAMS OFFICE OF
JUVENILE JUSTICE AND DELINQUENCY PREVENTION AWARD
TO COMMUNITIES IN SCHOOLS, INC. ARLINGTON, VIRGINIA**

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INTRODUCTION

In September 2011, the Office of Justice Programs (OJP) Office of Juvenile Justice and Delinquency Prevention (OJJDP) awarded grant number 2011-JU-FX-0006 in the amount of \$2,500,000 to Communities in Schools, Inc. (CIS), based in Arlington, Virginia. The OJJDP awarded the grant under its Multi-State Mentoring Initiative, which was established to assist in the development and maturity of community programs particularly by providing mentoring services to high-risk populations that are underserved.

Established in 1977, CIS is a non-profit organization with a stated mission to surround students with a community of support and empower them to stay in school and achieve in life. The OJJDP provided the award to CIS to partner with affiliated sub-recipients across the United States for the purpose of mentoring students at high risk for dropping out of school. Recognizing that many of the targeted students may have had past or present involvement with the juvenile justice system, CIS maintained three broad goals for the grant: delivering structured activities and programs for 2,600 mentored students, involving parents, and implementing ongoing mentor training and support.

Audit Approach

The objective of the audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. We tested compliance with what we considered the most important conditions of the grant. Unless otherwise stated in the report, we applied the OJP Office of the Chief Financial Officer Financial Guide (Financial Guide) as our primary criterion to assess CIS performance and compliance with grant requirements.¹

To accomplish this objective, we assessed performance in several areas of grant management. Specifically, we tested CIS's:

- **Internal Control Environment** to determine whether the internal controls in place for the processing and payment of funds adequately safeguarded grant funds and ensured compliance with tested award terms and conditions;

¹ The Financial Guide serves as a reference manual that provides guidance to award recipients on their fiduciary responsibility to safeguard award funds and to ensure funds are used appropriately. OJP requires award recipients to abide by the requirements in the Financial Guide.

- **Reporting** to determine whether CIS submitted accurate federal financial reports and progress reports on time;
- **Program Performance and Accomplishments** to determine whether CIS accomplished, was on track to accomplish, or otherwise made reasonable efforts to accomplish the grant objectives;
- **Budget Management and Control** to determine whether CIS appropriately accounted for grant funds and whether actual CIS expenditures aligned with approved budget cost categories;
- **Drawdowns** to determine whether CIS adequately supported drawdowns in accordance with federal requirements;
- **Grant Expenditures** to determine whether costs charged to the grant were allowable, adequately supported, and allocated appropriately; and
- **Sub-recipient Monitoring** to determine if CIS provided adequate oversight and monitoring of its sub-recipients.

The award did not include accountable property, program income, or matching funds from other sources. We discuss the results of our analysis in the Findings and Recommendations section of the report. Appendix 1 contains additional information on our objectives, scope, and methodology.

FINDINGS AND RECOMMENDATIONS

COMPLIANCE WITH ESSENTIAL AWARD REQUIREMENTS

We found that Communities in Schools, Inc. (CIS) generally complied with essential grant conditions in the areas of reporting, grant drawdowns, and budget management and control. However, we questioned \$1,806,551 in costs that CIS charged to the grant, including unsupported sub-recipient pass-through costs totaling \$1,704,411 and an additional \$102,140 in associated indirect costs. We found \$177,646 in funds not yet disbursed that can be put to better use. We also found that while CIS was on track to meet the overall goals and objectives of the grant, CIS did not maintain adequate support for reported program achievements. Finally, we determined that CIS needs to improve its financial and programmatic monitoring of sub-recipients. Specifically, CIS needs to strengthen its verification procedures regarding required sub-recipient background checks on mentors serving in the program. Based on our audit results, we made six recommendations to address the dollar-related findings and improve internal controls, recordkeeping, and monitoring of sub-recipients.

Internal Control Environment

The OJP Financial Guide directs grant recipients to establish a system of internal controls that ensures the optimal use and safeguarding of awarded funds. While our audit did not assess CIS's overall system of internal controls, we did review the internal controls of its financial management system specific to the administration of the OJJDP award during the period under review. We interviewed pertinent CIS personnel regarding the financial management system, record keeping practices, and methods for ensuring adherence to the terms and conditions of the grant. We also reviewed written policies, procedures, and accounting records to assess CIS's risk of non-compliance with laws, regulations, guidelines, and terms and conditions of the grant.

We further reviewed CIS's Single Audit reports for FY 2011 through FY 2013.² We determined that the audits disclosed no significant deficiencies or material weaknesses of internal control.

Our assessment found that CIS has adequate segregation of duties and controls over the financial management system used to administer grant funds.

² Non-federal entities that expend at least \$500,000 a year in federal awards must have a Single Audit conducted to determine whether the organization's financial statements and schedule of expenditures are accurate and conform to generally accepted accounting principles.

However, we found weaknesses in CIS oversight of sub-recipients' accounting practices, which we detail later in the "Grant Expenditures" section of this report.

Reporting

The OJP Financial Guide requires that award recipients submit both financial and program progress reports to inform awarding agencies on the status of each award. Federal Financial Reports (FFR) are due quarterly and should detail the actual expenditures incurred for each quarterly reporting period, while progress reports are due semiannually and should describe the performance activities and achievements of the project supported by the award. Because accurate and timely FFRs and progress reports are necessary to ensure that DOJ awarding agencies can effectively monitor award activities and expenditures, we reviewed reports CIS submitted for grant number 2011-JU-FX-0006.

Federal Financial Reports

To verify the timeliness of the FFRs, we tested the last four reports CIS submitted as of April 30, 2014, which included award activity from April 1, 2013 through March 31, 2014. We compared the submission date of each report to the date each report was due, which is 30 days after the end of each quarterly reporting period, and found that CIS submitted all four tested FFRs on time.

The OJP Financial Guide states that the accounting system the award recipient uses to prepare financial reports must support the figures reported on the FFRs. We discussed with the responsible CIS officials how they prepare and submit FFRs and compared the amounts CIS reported on its last four FFRs to actual expenditures in the CIS accounting records. We found that the FFRs accurately reflected grant-related expenditures as recorded in CIS's accounting records.

Progress Reports

Award recipients must collect, maintain, and report data to measure and evidence the effectiveness of their funded program and activities. While FFRs report financial activity, progress reports should capture the project status and accomplishments with regard to the objectives included in the approved award application. Progress reports should compare anticipated program objectives with actual accomplishments and are due 30 days after the end of each semiannual reporting period. To assess whether CIS submitted progress reports on time, we reviewed two progress reports covering the time period of January 1, 2013 through December 31, 2013 and found that CIS submitted both progress reports in a timely manner.

To assess the accuracy of the progress reports, we selected a judgmental sample of five reported achievements for the period January 2013 through June 2013 and five achievements for the period July 2013 through December 2013. We compared the reported achievements to source data on the sampled performance measures that CIS provided. As detailed in Table 1, we identified discrepancies

between the source data CIS provided and sampled figures CIS submitted in its progress reports.

Table 1
Summary of Sampled Program Accomplishments

June 30, 2013 Progress Report			
Reporting Metric	Reported Amount	OIG Count	Difference
The total number of mentors in the program during the reporting period.	660	744	84
Number of program mentors who began training during the reporting period.	201	93	(108)
The number of youth served using an evidence-based program or practice.	1,185	1,180	(5)
Number of youth enrolled at the beginning of the reporting period.	787	824	37
Number of youth who exited the program having completed program requirements.	243	276	33
December 31, 2013 Progress Report			
The total number of mentors in the program during the reporting period.	802	1,029	227
Number of program mentors who began training during the reporting period.	655	537	(118)
The number of mentors who have left the program during the reporting period.	80	15	(65)
Number of youth enrolled during the reporting period.	1,251	1,705	454
Number of youth enrolled at the beginning of the reporting period.	626	949	323

Source: OIG analysis of CIS June 30, 2013 and December 31, 2013 progress reports and mentor and youth data.

CIS officials cited three factors as causes of these differences. First, CIS officials told us that their sub-recipients rely on systems to track and report performance statistics on mentors and youth in the program that contain “real time” data. As a result, the source data we received from the sub-recipients and used to assess the accuracy of progress reports may not have precisely matched the data CIS had available at the time it compiled its progress reports.

Second, CIS officials stated that after analyzing the data they may have to work with the sub-recipients to eliminate duplicate entries or obtain additional information to ensure accurate reporting. Information acquired during such follow-up may not be archived or maintained uniformly. For example, CIS officials explained some sub-recipients did not report specific training dates in their tracking systems. CIS then contacted these sub-recipients to obtain this information and include training that occurred during a specific period in the progress reports. However, in this instance, neither CIS nor the sub-recipient updated the training dates in the tracking system and the source data available to us during our review lacked this information.

Third, CIS officials stated that some sub-recipients started using a new performance tracking system in September 2013. CIS officials stated that the transition to a new system caused some discrepancies and missing entries.

Specifically, CIS officials stated that they had to perform several manual data adjustments to avoid reporting duplicate entries and erroneous information on the December 2013 progress report. CIS officials also confirmed that although they followed up with the sub-recipients to report accurate data, they did not ensure that the sub-recipients updated the new system with the accurate figures.

We believe CIS must ensure that its tracking systems reflect the most current and accurate program performance data available. Tracking systems that contain inaccurate information not only make it difficult to verify reported progress, but also increase the risk of compromising the accuracy of future data contained therein. We therefore recommend that OJP require CIS to implement procedures for future DOJ grant funding to: (1) ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) maintain tracking system data that reconciles to the OJJDP progress reports.

Program Performance and Accomplishments

The purpose of the award was for CIS to facilitate school-based mentoring programs for students most at risk of leaving school due to factors in their families, homes, communities, and social environments. In its grant application, CIS outlined three broad goals for its proposed mentoring project: (1) delivering structured activities and programs for mentored students, (2) involving and providing services for parents, and (3) implementing ongoing training and support for mentors. Among its stated objectives, CIS planned to recruit, train, and retain an increasing number of mentors as well as promote active partnerships between sub-recipients and community organizations. CIS also planned to enroll high-risk youth at participating schools in CIS-modeled mentoring programs, with stated objectives of keeping these youth in the mentoring programs, preventing new juvenile offenses, reducing the number of school disciplinary referrals and instances of truancy, and improving academic performance.

CIS envisioned its role as providing overall leadership for the project, while distributing most of the grant funding to sub-recipients to implement mentoring programs in schools across the United States. CIS originally proposed to partner with 13 affiliated sub-recipients and serve a total of 2,600 at-risk students located at 34 schools in eight different states. However, the project as implemented includes 10 active affiliated sub-recipients that established mentoring programs in schools.³

To assess CIS's progress toward meeting the anticipated grant goals and objectives at the sub-recipient sites, we reviewed OJP award documents, interviewed CIS and program officials, and sought primary CIS records on sub-recipient performance. We found that CIS has facilitated active mentoring programs through its sub-recipients and is working to achieve the above objectives

³ OJP approved CIS grant adjustment requests throughout the performance period to remove and add project sites; however, the target number of students served did not change.

through mentors serving in participating local schools. Site visit reports indicate that the sub-recipients have recruited and trained mentors, matched students with mentors, and engaged community partners. Consistent with the overall goals and objectives of the grant, CIS tracking data likewise indicated that the award supported over 1,400 mentors who in turn helped about 2,300 youth participants.

Budget Management and Control

Grant recipients need to expend funds according to the budget approved by the awarding agency and included as part of the final award package. Approved award budgets document how much the awarding agency authorized the recipient to spend in high-level budget categories, such as personnel, supplies, and contractors. Recipients may request OJP approval to modify previously approved award budgets to reallocate funds between different budget categories within the same award.⁴ We compared the actual amount CIS spent in each budget category to the approved budgeted amounts in the same categories and found that CIS's grant expenditures align with the approved award budget.

Drawdowns

The OJJDP provides recipients access to an electronic financial management system by which they must request awarded funds via drawdowns. Award recipients should only request federal award funds when they incur or anticipate project costs. Therefore, recipients should time their requests for award funds to ensure they will have only the minimum federal cash on hand required to pay actual or anticipated costs within 10 days.

CIS personnel told us that drawdown requests are based on reimbursements of expenses for salaries, fringe benefits, travel, and training. To ensure that CIS requested funds properly and kept a minimum of federal cash on hand, we analyzed drawdowns through May 5, 2014 and compared the overall amount of these drawdowns to CIS's general ledger. Overall, we found that the amount of funds CIS drew down did not exceed the expenditures in the accounting records. However, we noted that according to drawdown reports, CIS only requested reimbursement for \$2,322,354 of the total \$2.5 million in awarded funds, leaving \$177,646 in funds not yet disbursed. As a result, we recommend that OJP deobligate and put to better use \$177,646, the remaining funds in grant number 2011-JU-FX-0006.

Grant Expenditures

To be allowable, an expense charged to an award must be reasonable, consistently applied, adequately documented, and compliant with applicable policies

⁴ No prior approval is required if the reallocations between budget categories do not exceed 10 percent of the total award amount.

and procedures. As shown in Table 2, as of June 30, 2014, CIS's general ledger reported \$2,379,176 in costs associated with grant number 2011-JU-FX-0006.

Table 2
Summary of Grant Expenditures

Type of Cost	Total General Ledger Costs (\$)
Personnel	254,269
Fringe Benefits	53,018
Travel	84,356
Supplies	2,183
Sub-recipients (Contractual)	1,761,233
Other Direct Costs	70,729
Indirect	153,388
TOTAL	\$2,379,176

Source: CIS general ledger as of June 30, 2014.

While we found that there was adequate support for all CIS-level expenditures, throughout the audit, CIS was unable to provide documents needed to support sub-recipient costs. As discussed below, we question \$1,704,411 in sub-recipient costs charged to the award through June 30, 2014 and related indirect costs totaling \$102,140, as unsupported expenditures.

Personnel and Fringe Benefits Costs

Salaries, wages, and fringe benefits charged to a federal award must be based on payroll records approved by responsible officials, and the charges must comport with the generally accepted practices of the organization. In particular, where grant recipients work on multiple grant programs or activities, a reasonable allocation of costs to each activity must be made based on time and effort reports, such as timesheets.

We reviewed CIS policies for timekeeping and charging salary and benefit costs to the grant. CIS requires employees to sign and submit a semi-monthly timesheet that details the time spent on each project or grant. CIS charges compensation to its various projects or grants based on a pro-rata share of actual hours worked. Supervisors must also review and approve each timesheet.

To determine if timesheets were properly authorized and if resulting personnel costs were properly allocated to the grant, we judgmentally selected two non-consecutive pay periods to test.⁵ We examined timesheets and payroll distribution records, and recalculated salaries allocated to the grant to ensure CIS properly charged costs to the grant. We found that the sample transactions tested were accurately recorded, properly authorized, and adequately supported.

⁵ CIS allocates its payroll on a semi-monthly basis. We selected the pay periods ended March 31, 2012 and May 15, 2013, for our testing. Salaries totaled \$6,247 for these pay periods.

To determine if CIS properly authorized and allocated fringe benefits to the grant, we tested one month's fringe benefits allocation entry. Fringe benefits approved by the OJJDP in the award's budget included payroll taxes, pension and 403(b) contributions, employee parking, accrued leave, and other employee benefits. We recalculated the cost pool, the fringe rate, and fringe benefits expense, and found that the tested fringe benefits were accurately recorded, properly authorized, and adequately supported.

Other Tested Costs

We selected a judgmental sample of 27 non-payroll transactions totaling \$225,192 to determine if the charges were included in the approved budget, allowable, and allocable to the DOJ award.

Sub-recipient Costs

The approved budget permitted CIS to pass through almost \$1.9 million of the total \$2.5 million in grant funding (about 75 percent) to its sub-recipients to develop targeted mentoring programs and compensate mentor coordinators. At the time of our audit, CIS had paid a total of \$1,704,411 to its 12 sub-recipients.

We determined that CIS did not have on hand the records necessary to support any sub-recipient pass-through costs. For example, although CIS reimbursed sub-recipients for expenses reportedly pertaining to mentor compensation, CIS did not require the sub-recipients to submit documents, such as approved timesheets that had recorded hours spent on grant projects, to support payroll costs claimed for reimbursement. CIS officials told us that, as a general rule, they did not request, review, or maintain supporting documents from their sub-recipients before reimbursing them for reported costs. Further, as described below in the financial monitoring section, CIS did not evaluate sub-recipient financial management systems. As a result, CIS was unable to ensure that all of the costs claimed by the sub-recipients were allowable, supported, or in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

Because pass-through costs represented such a substantial portion of the approved grant budget, we judgmentally selected 23 sub-recipient transactions to confirm whether CIS and its affiliates could support charges with appropriate documentation, such as an invoice and proof of receipt or an approved timesheet.⁶ For allocated costs, we also sought support to show that the expense was allocated to the award properly. However, CIS and its sub-recipients were not able to locate readily the required support. Indeed, we note that one sub-recipient had ceased

⁶ Our sample includes at least one transaction for CIS's 10 active sub-recipients that conduct mentoring, one sub-recipient that ceased operations during the grant performance period, and one additional sub-recipient that serves as a training and technical assistance provider.

operations during the grant performance period, and CIS could not provide documents supporting the costs associated from this sub-recipient.

Given our concerns regarding record-keeping and financial monitoring, we consider the sub-recipient pass-through costs reimbursed with grant funds as unsupported expenditures and recommend that OJP remedy \$1,704,411 in unsupported sub-recipient pass-through costs.⁷

Travel, Contractual, and Other Costs

We also tested two transactions totaling \$12,490 that CIS classified as travel and other direct costs, and determined that all tested charges were allowable, properly supported, and accurately recorded to grant number 2011-JU-FX-2006.

Indirect Costs

Indirect costs are expenses that an organization incurs for common or joint objectives and therefore cannot be readily allocated to a specific project. Examples of indirect costs include overhead and administrative expenses. Grant recipients need to establish and seek approval for an indirect cost rate with their cognizant federal agency before they may seek reimbursement for indirect expenses.

Through June 30, 2014, CIS recorded \$153,388 of indirect costs that it charged to the grant. We tested two indirect cost transactions and also recalculated indirect expenses by fiscal year to ensure the rates were properly applied. Although our review determined that CIS properly calculated and applied indirect costs to the grant, we questioned \$102,140 as unsupported indirect costs resulting from applying the indirect rate to the relevant aforementioned unsupported sub-recipient costs. Therefore, we recommend that OJP remedy \$102,140 in unsupported indirect costs.⁸

Sub-recipient Monitoring

Award recipients need to develop systems, policies, and procedures to ensure that sub-recipients act in accordance with federal program and grant requirements, laws, and regulations. Specifically, CIS is required to monitor both the programmatic and financial activities of its sub-recipients throughout the grant period.

⁷ CIS's general ledger reported \$1,761,233 in sub-recipient costs. Due to the audit, CIS has not yet requested reimbursement for \$56,822 of the total \$1,761,233. While we remain concerned regarding the support available for the remaining \$56,822 in sub-recipient costs, we only question the total actual reimbursed amount of \$1,704,411 as unsupported. Appendix 3 lists the individual sub-recipient charges we determined lacked sufficient support.

⁸ CIS and its sub-recipients took action on the findings pertaining to the sub-recipient costs and, as part of its response to the draft report, CIS subsequently provided records that it had not been able to produce during the audit. Appendix 6 contains an OIG analysis of these documents, which resulted in a reduction of the questioned direct and indirect costs associated with CIS sub-recipients.

CIS sub-recipient monitoring procedures include an accreditation review of CIS affiliates every 3 years, whereby CIS personnel ensure that a particular affiliate meets a defined set of standards by reviewing documents and performing on-site interviews to check for specific indicators, such as written policies for fiscal management, approved budgets, and screening procedures for background checks. In addition, CIS officials told us that they monitor affiliates through site visits and status update teleconferences. The affiliates also submit to CIS bi-annual progress reports and an annual final financial report.

Financial Monitoring

As the primary recipient of the grant, CIS is responsible for ensuring its sub-recipients spend grant funds in accordance with grant requirements, laws, and regulations. Grantees must have written policies and procedures to guide how they monitor sub-recipients that may include reviewing monthly financial and performance reports and conducting periodic site visits. OJP also states that grantees should inspect documents such as timesheets, invoices, contracts, and ledgers to support sub-recipient financial reports.

As stated previously, of the \$2.5 million that OJP awarded to CIS, the approved budget designated nearly \$1.9 million (about 75 percent of the award) to be used to pay sub-recipients. Although the sub-recipients carry the "Communities in Schools" name, they remain separate non-profit organizations that operate independently. While we confirmed that CIS had regular contact with its sub-recipients and checked that applicable policies were in place, we found that CIS needs to conduct more thorough checks of sub-recipient operations to verify the specific use of grant funds. Specifically, CIS did not (1) evaluate sub-recipient financial management systems or (2) require sub-recipients to submit detailed financial information such as timesheets, invoices, or ledgers to support their expenditures claimed for reimbursement.

When primary grantees do not carefully monitor sub-recipients, OJP funds are at risk for fraud, waste, and abuse. Due to its financial monitoring shortcoming, CIS could neither provide assurance that sub-recipients adequately tracked and safeguarded grant funds nor produce evidence showing how sub-recipients specifically spent funds.

We discussed these issues with CIS officials, and during our audit CIS developed a fiscal monitoring plan to include procedures for increased oversight and monitoring of sub-recipients, such as (1) mandatory CIS sub-recipient training regarding the proper administration of grant funds; (2) a plan to hire additional employees to assist accounting personnel in reviewing sub-recipient invoices and supporting documents; and (3) a plan to ensure ongoing fiscal compliance and strengthen CIS fiscal accounting policies. Importantly, we also note that CIS began requesting supporting documentation for all sub-recipient requests for reimbursement during the audit. We recognize these efforts as important steps to enhance CIS's sub-recipient monitoring capability and recommend that OJP ensure CIS continues to implement its fiscal monitoring plan to ensure controls are in place

over how sub-recipients spend future DOJ grant funds.

Background Check Special Condition

Primary grantees are also responsible for ensuring that sub-recipients comply with all terms and conditions of the award. As a special condition for receiving the audited grant, CIS had to certify it had appropriate criminal background screening procedures in place to evaluate all employees, contractors, or volunteers working under the grant expected to have direct substantial contact with minors.

CIS established internal standards for its sub-recipients requiring that all employees or individuals who work with students through this grant program receive pre-employment screening that includes reference checks and a criminal history background check. CIS also requires sub-recipients to complete a pre-employment screening process prior to permitting any new hire to have direct contact with students. The CIS standards also require affiliates to maintain records demonstrating that all personnel working with students have passed the sub-recipient's screening process. Each sub-recipient also has its own policy governing background checks for volunteers. During CIS's sub-recipient accreditation process, which occurs every 3 years, and general site visits, CIS selects a small sample of completed background checks to review.

We identified three concerns regarding how CIS ensures that sub-recipients properly perform all required background checks. First, while the CIS accreditation process involved sampling a few individuals for background check verification, we found that CIS selected its samples from sub-recipient lists that may only include mentors who have already undergone a background check. Because CIS did not uniformly select samples from comprehensive lists that included all volunteer mentors, the CIS accreditation process could fail to identify mentors who may not have undergone background checks.

Second, while CIS reviews applicable sub-recipient policies, it does not routinely obtain specific documents pertaining to the results of completed background checks. Instead, CIS only checks summary records for an indication that a check was performed on a certain date. This process would not enable CIS to verify the actual results of background checks on mentors who work with students through the funded program.

Finally, we determined that CIS did not have a clear standard for when or how often sub-recipients should subject mentors to background checks. We found that some school policies have permitted individuals to work with children on a temporary basis until background checks are cleared. CIS should hold its sub-recipients to the more stringent CIS policy that requires background checks be completed before any program volunteers work closely with children. In addition, CIS officials stated that they encourage sub-recipients to perform background checks annually, but ultimately, we found that individual school requirements govern how frequently the sub-recipients perform background checks.

We judgmentally selected a sample of 1 mentor from each of the 10 sub-recipient sites conducting mentoring to determine whether: (1) the sub-recipient had a systematic process or template for tracking mentor background checks, (2) sub-recipients maintained sufficient support to evidence background check results, and (3) background checks were completed before a mentor interacted closely with children. We found that one sub-recipient could not readily produce documents showing that it tracked its mentors and their background check dates. Three additional sub-recipients could not produce sufficient records that demonstrated the specific results of the sampled mentor background check. We also could not verify that the sampled mentors from three of the sub-recipients we tested passed a background check before working with minors.

We believe CIS must improve its process to ensure compliance with the background check special condition. We therefore recommend that OJP require CIS to strengthen its sub-recipient background check verification requirements and procedures. To be sufficient, a background check process should ensure that sub-recipients: (1) complete a background check on all mentors before they participate in future DOJ grant funded programs, and (2) track and maintain individual background check results. In addition, we believe that CIS needs to determine how often sub-recipients must complete background checks for mentors participating in similar future DOJ grant programs.

Recommendations

We recommend that OJP:

1. Require CIS to implement procedures for future DOJ grant funding to:
(1) ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) maintain tracking system data that reconciles to the OJJDP progress reports.
2. Deobligate and put to better use \$177,646, the remaining funds in grant number 2011-JU-FX-0006.
3. Remedy \$1,704,411 in unsupported sub-recipient pass-through costs reimbursed with grant funds.
4. Remedy \$102,140 in unsupported indirect costs.
5. Ensure CIS continues to implement its fiscal monitoring plan to ensure controls are in place over how sub-recipients spend future DOJ grant funds.
6. Require CIS to strengthen its sub-recipient background check verification requirements and procedures.

OBJECTIVES, SCOPE, AND METHODOLOGY

The objective of this audit was to determine whether costs claimed under the grant were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions. To accomplish this objective, we assessed performance in the following areas of grant management: financial management, federal financial reports, budget management and control, drawdowns, expenditures, and program performance.

We conducted this audit in accordance with generally accepted government auditing standards. Those standards require that we plan and perform the audit to obtain sufficient, appropriate evidence to provide a reasonable basis for our findings and conclusions based on our audit objective. We believe that the evidence obtained provides a reasonable basis for our findings and conclusions based on our audit objective.

Our audit focused on activities funded by the \$2.5 million Office of Justice Programs (OJP) grant (grant number 2011-JU-FX-0006) awarded to CIS to operate its "Multi-State Mentoring Initiative." The scope of our review included OJP funded activity from the inception of the subject award in September 2011 to June 2014. However, due to the timing of our fieldwork, our testing on financial and progress reports, program performance and accomplishments, drawdowns, and transactions was completed on data through April 2014. To accomplish the objective of the audit, we interviewed CIS personnel responsible for overseeing program performance, monitoring sub-recipient activity, and compiling and approving financial and progress reports. We examined CIS grant records, timesheets, sub-recipient agreements and other documents supporting activity funded by the subject grant. We also considered the internal controls CIS had established and used to guide the requesting, approving, and recording of grant-related expenses during the scope of our review. We did not assess the overall reliability of CIS's financial management system or internal controls of that system.

To accomplish our objective, we tested compliance with what we considered to be the most important conditions of the award. Unless otherwise stated in our report, the criteria we audit against are contained in the OJP Office of the Chief Financial Officer's Financial Guide and the awarding documents such as the OJP-approved grant narrative and budget. In addition, we assessed the timeliness and accuracy of financial and progress reports submitted by CIS and evaluated grant performance in relation to the grant objectives. We performed sample testing in the following areas:

- **Reporting.** To determine whether the required Federal Financial Reports and Progress Reports were submitted in a timely manner and accurately reflect award activity.

- **Program Performance and Accomplishments.** To determine whether CIS met the award goals and objectives.
- **Drawdowns.** We analyzed CIS's overall drawdowns of \$2,149,451 for the Department of Justice (DOJ) award from the inception of the award through May 5, 2014. CIS provided documentation supporting the drawdown requests.
- **Payroll Costs.** We judgmentally selected the March 31, 2012 and May 15, 2013 pay periods to test and we determined whether personnel costs were computed correctly, properly authorized, accurately recorded, and properly allocated. We also analyzed the fringe benefits costs for May 2012 to ensure the charges were consistent with the approved budgeted amounts.
- **Other Expenditures.** To test CIS's transactions for authorizations, vouchers, and supporting documentation, we judgmentally selected 27 non-payroll transactions totaling \$225,192. We analyzed the transactions to determine if the costs were properly authorized, classified, recorded, supported, and charged to the grant.

We employed such judgmental sampling designs to obtain a broad exposure to numerous facets of the grant reviewed, such as high-dollar amounts or expenditure category based on the approved grant budget. This non-statistical sample design does not allow for the projection of the test results to the universe from which we selected our sample.

SCHEDULE OF DOLLAR-RELATED FINDINGS

QUESTIONED COSTS⁹	AMOUNT (\$)	PAGE
<u>Unsupported Costs</u>		
Sub-recipient pass-through costs	1,704,411	10
Associated indirect costs	102,140	10
NET QUESTIONED COSTS	<u>1,806,551</u>	
FUNDS TO BETTER USE¹⁰	177,646	7
TOTAL DOLLAR-RELATED FINDINGS	\$1,984,197	

⁹ Questioned costs are expenditures that are not supported by adequate documentation at the time of the audit or otherwise do not comply with legal, regulatory, or contractual requirements. Questioned costs may be remedied by offset, waiver, recovery of funds, or the subsequent provision of supporting documentation.

¹⁰ Funds to Better Use are future funds that could be used more efficiently if management took actions to implement and complete audit recommendations.

APPENDIX 3

**SUMMARY OF UNSUPPORTED
SUB-RECIPIENT COSTS**

Sub recipient	Date	Amount (\$)
CIS of Arizona	9/30/2011	3,600.00
CIS of Arizona	10/25/2011	3,600.00
CIS of Arizona	1/9/2012	3,600.00
CIS of Arizona	1/9/2012	3,600.00
CIS of Arizona	2/15/2012	5,718.78
CIS of Arizona	3/31/2012	8,946.24
CIS of Arizona	4/11/2012	7,075.29
CIS of Arizona	5/23/2012	2,810.60
CIS of Arizona	6/19/2012	6,713.93
CIS of Arizona	10/31/2011	(3,600.00)
CIS of Arizona	9/30/2012	(2,751.66)
CIS of Arizona Total		\$39,313.18
CIS of Cape Fear, NC	9/30/2011	1,427.80
CIS of Cape Fear, NC	10/31/2011	5,158.63
CIS of Cape Fear, NC	11/30/2011	5,320.57
CIS of Cape Fear, NC	1/9/2012	5,158.63
CIS of Cape Fear, NC	1/31/2012	5,496.69
CIS of Cape Fear, NC	3/13/2012	5,158.63
CIS of Cape Fear, NC	4/11/2012	5,590.16
CIS of Cape Fear, NC	5/9/2012	5,218.53
CIS of Cape Fear, NC	5/31/2012	5,743.20
CIS of Cape Fear, NC	7/17/2012	5,679.88
CIS of Cape Fear, NC	8/7/2012	6,661.45
CIS of Cape Fear, NC	9/12/2012	7,715.73
CIS of Cape Fear, NC	9/30/2012	6,341.47
CIS of Cape Fear, NC	10/31/2012	6,980.95
CIS of Cape Fear, NC	11/30/2012	7,117.26
CIS of Cape Fear, NC	1/9/2013	5,973.16
CIS of Cape Fear, NC	2/12/2013	8,258.53
CIS of Cape Fear, NC	3/11/2013	6,205.77
CIS of Cape Fear, NC	3/31/2013	6,332.30
CIS of Cape Fear, NC	5/6/2013	6,680.36
CIS of Cape Fear, NC	6/12/2013	6,733.00
CIS of Cape Fear, NC	8/8/2013	4,710.67
CIS of Cape Fear, NC	8/31/2013	5,399.23

CIS of Cape Fear, NC	9/30/2013	5,171.21
CIS of Cape Fear, NC	10/31/2013	6,465.11
CIS of Cape Fear, NC	11/30/2013	7,035.82
CIS of Cape Fear, NC	1/7/2014	5,906.83
CIS of Cape Fear, NC	2/28/2014	6,138.42
CIS of Cape Fear, NC	2/28/2014	5,936.24
CIS of Cape Fear, NC	3/31/2014	6,280.70
CIS of Cape Fear, NC	5/31/2014	5,890.03
CIS of Cape Fear, NC	5/31/2014	6,541.94
CIS of Cape Fear, NC Total		\$190,428.90
CIS of Cleveland County	9/30/2011	1,619.28
CIS of Cleveland County	11/16/2011	2,064.87
CIS of Cleveland County	11/30/2011	6,350.85
CIS of Cleveland County	1/9/2012	1,857.69
CIS of Cleveland County	2/15/2012	1,575.32
CIS of Cleveland County	3/13/2012	2,013.77
CIS of Cleveland County	4/11/2012	3,100.29
CIS of Cleveland County	5/9/2012	3,781.72
CIS of Cleveland County	6/13/2012	5,774.13
CIS of Cleveland County	7/17/2012	3,851.10
CIS of Cleveland County	9/30/2012	4,798.19
CIS of Cleveland County	9/30/2012	661.70
CIS of Cleveland County	9/30/2012	577.10
CIS of Cleveland County	11/27/2012	5,037.43
CIS of Cleveland County	12/18/2012	2,678.54
CIS of Cleveland County	1/9/2013	4,628.93
CIS of Cleveland County	2/28/2013	5,592.70
CIS of Cleveland County	3/19/2013	5,159.06
CIS of Cleveland County	5/15/2013	5,159.06
CIS of Cleveland County	5/15/2013	6,399.20
CIS of Cleveland County	6/12/2013	5,102.78
CIS of Cleveland County	9/11/2013	258.75
CIS of Cleveland County	9/11/2013	3,388.25
CIS of Cleveland County	9/30/2013	5,849.02
CIS of Cleveland County	9/30/2013	4,950.21
CIS of Cleveland County	10/21/2013	4,950.21
CIS of Cleveland County	12/9/2013	6,773.26
CIS of Cleveland County	12/9/2013	5,632.37
CIS of Cleveland County	1/13/2014	4,883.62
CIS of Cleveland County	2/28/2014	4,991.49
CIS of Cleveland County	3/31/2014	4,321.02

CIS of Cleveland County	4/30/2014	5,081.80
CIS of Cleveland County	5/31/2014	13,192.76
CIS of Cleveland County	6/30/2014	5,663.28
CIS of Cleveland County	10/1/2013	(4,950.21)
CIS of Cleveland County Total		\$142,769.54
CIS of Heart of Texas	12/20/2011	1,372.98
CIS of Heart of Texas	12/20/2011	1,638.94
CIS of Heart of Texas	1/11/2012	1,738.30
CIS of Heart of Texas	2/15/2012	3,440.73
CIS of Heart of Texas	3/13/2012	3,522.22
CIS of Heart of Texas	4/11/2012	4,090.72
CIS of Heart of Texas	5/23/2012	3,522.56
CIS of Heart of Texas	6/19/2012	5,330.17
CIS of Heart of Texas	7/17/2012	7,660.61
CIS of Heart of Texas	8/15/2012	2,836.30
CIS of Heart of Texas	9/19/2012	4,023.76
CIS of Heart of Texas	9/30/2012	5,785.09
CIS of Heart of Texas	11/27/2012	4,783.21
CIS of Heart of Texas	12/18/2012	4,896.76
CIS of Heart of Texas	1/15/2013	4,755.29
CIS of Heart of Texas	2/13/2013	4,336.71
CIS of Heart of Texas	3/19/2013	4,470.57
CIS of Heart of Texas	4/17/2013	4,804.08
CIS of Heart of Texas	5/15/2013	5,060.47
CIS of Heart of Texas	6/12/2013	4,972.59
CIS of Heart of Texas	7/15/2013	4,539.19
CIS of Heart of Texas	8/21/2013	3,988.75
CIS of Heart of Texas	9/25/2013	3,227.93
CIS of Heart of Texas	9/30/2013	2,904.56
CIS of Heart of Texas	11/8/2013	4,144.27
CIS of Heart of Texas	12/9/2013	3,929.47
CIS of Heart of Texas	1/13/2014	3,843.88
CIS of Heart of Texas	2/28/2014	5,792.46
CIS of Heart of Texas	3/31/2014	6,067.41
CIS of Heart of Texas	4/30/2014	6,200.40
CIS of Heart of Texas	5/31/2014	7,353.68
CIS of Heart of Texas Total		\$135,034.06
CIS of Laurens County, GA	9/30/2011	4,840.00
CIS of Laurens County, GA	11/16/2011	4,840.00
CIS of Laurens County, GA	1/9/2012	4,840.00
CIS of Laurens County, GA	1/11/2012	4,840.00

CIS of Laurens County, GA	1/25/2012	4,840.00
CIS of Laurens County, GA	2/22/2012	4,840.00
CIS of Laurens County, GA	3/26/2012	4,840.00
CIS of Laurens County, GA	4/11/2012	5,697.05
CIS of Laurens County, GA	5/9/2012	4,840.00
CIS of Laurens County, GA	6/19/2012	4,840.00
CIS of Laurens County, GA	7/17/2012	5,582.95
CIS of Laurens County, GA	8/21/2012	4,166.66
CIS of Laurens County, GA	9/12/2012	4,166.66
CIS of Laurens County, GA	9/30/2012	4,166.66
CIS of Laurens County, GA	1/9/2012	(4,840.00)
CIS of Laurens County, GA	11/27/2012	4,166.66
CIS of Laurens County, GA	12/18/2012	4,166.66
CIS of Laurens County, GA	1/9/2013	4,166.66
CIS of Laurens County, GA	2/13/2013	4,166.66
CIS of Laurens County, GA	3/19/2013	4,166.66
CIS of Laurens County, GA	4/17/2013	4,166.66
CIS of Laurens County, GA	5/15/2013	4,166.66
CIS of Laurens County, GA	6/30/2013	4,166.66
CIS of Laurens County, GA	7/15/2013	4,166.66
CIS of Laurens County, GA	8/21/2013	4,166.66
CIS of Laurens County, GA	8/31/2013	4,166.66
CIS of Laurens County, GA	9/30/2013	4,166.66
CIS of Laurens County, GA	10/31/2013	4,166.66
CIS of Laurens County, GA	12/9/2013	4,166.66
CIS of Laurens County, GA	1/13/2014	4,166.66
CIS of Laurens County, GA	2/28/2014	4,166.66
CIS of Laurens County, GA	2/28/2014	4,166.66
CIS of Laurens County, GA	4/30/2014	4,166.66
CIS of Laurens County, GA	5/31/2014	4,166.66
CIS of Laurens County, GA	6/30/2014	4,166.66
CIS of Laurens County, GA Total		\$145,833.18
CIS of Miami	1/18/2012	2,987.52
CIS of Miami	2/15/2012	3,411.88
CIS of Miami	3/13/2012	3,652.59
CIS of Miami	4/11/2012	3,722.15
CIS of Miami	5/23/2012	3,442.75
CIS of Miami	6/19/2012	2,015.97
CIS of Miami	7/17/2012	4,210.53
CIS of Miami	8/15/2012	2,315.70
CIS of Miami	9/19/2012	4,631.60

CIS of Miami	9/30/2012	4,769.43
CIS of Miami	11/27/2012	5,010.55
CIS of Miami	12/18/2012	4,779.91
CIS of Miami	1/15/2013	5,631.15
CIS of Miami	2/19/2013	5,881.91
CIS of Miami	3/19/2013	7,499.78
CIS of Miami	4/22/2013	10,217.75
CIS of Miami	5/15/2013	5,975.91
CIS of Miami	6/12/2013	7,662.61
CIS of Miami	7/15/2013	6,094.97
CIS of Miami	8/21/2013	1,259.18
CIS of Miami	9/11/2013	3,325.82
CIS of Miami	9/30/2013	2,603.07
CIS of Miami	10/21/2013	2,603.07
CIS of Miami	11/30/2013	4,904.49
CIS of Miami	12/12/2013	4,874.27
CIS of Miami	1/13/2014	5,450.05
CIS of Miami	2/28/2014	5,921.01
CIS of Miami	3/31/2014	6,362.05
CIS of Miami	4/30/2014	5,219.94
CIS of Miami	5/31/2014	4,781.78
CIS of Miami	10/1/2013	(2,603.07)
CIS of Miami Total		\$138,616.32
CIS of Montgomery County	9/30/2011	1,167.00
CIS of Montgomery County	11/16/2011	1,166.50
CIS of Montgomery County	1/9/2012	4,758.65
CIS of Montgomery County	1/11/2012	4,343.76
CIS of Montgomery County	2/15/2012	4,472.02
CIS of Montgomery County	3/13/2012	4,128.52
CIS of Montgomery County	4/11/2012	5,002.94
CIS of Montgomery County	5/9/2012	4,941.16
CIS of Montgomery County	6/19/2012	5,892.26
CIS of Montgomery County	7/17/2012	4,912.02
CIS of Montgomery County	8/21/2012	5,373.86
CIS of Montgomery County	9/12/2012	5,403.15
CIS of Montgomery County	9/30/2012	4,772.72
CIS of Montgomery County	11/27/2012	5,031.10
CIS of Montgomery County	11/30/2012	5,939.84
CIS of Montgomery County	1/9/2013	5,592.95
CIS of Montgomery County	2/12/2013	4,969.34
CIS of Montgomery County	3/11/2013	4,841.64

CIS of Montgomery County	3/31/2013	4,841.64
CIS of Montgomery County	5/6/2013	4,841.64
CIS of Montgomery County	6/12/2013	4,774.36
CIS of Montgomery County	8/8/2013	4,607.62
CIS of Montgomery County	8/5/2013	2,830.73
CIS of Montgomery County	8/8/2013	2,830.73
CIS of Montgomery County	8/31/2013	4,185.31
CIS of Montgomery County	9/30/2013	4,185.31
CIS of Montgomery County	8/5/2013	(2,830.73)
CIS of Montgomery County	10/31/2013	4,185.32
CIS of Montgomery County	12/9/2013	4,185.32
CIS of Montgomery County	1/13/2014	4,185.31
CIS of Montgomery County	2/28/2014	7,037.83
CIS of Montgomery County	2/28/2014	2,726.20
CIS of Montgomery County	4/30/2014	3,567.74
CIS of Montgomery County	5/31/2014	3,346.33
CIS of Montgomery County	6/30/2014	3,112.93
CIS of Montgomery County Total		\$145,323.02
CIS of New Orleans	1/11/2012	6,699.42
CIS of New Orleans	1/11/2012	5,926.48
CIS of New Orleans	2/22/2012	5,960.25
CIS of New Orleans	3/31/2012	6,337.40
CIS of New Orleans	4/11/2012	6,117.94
CIS of New Orleans	5/23/2012	4,872.82
CIS of New Orleans	6/19/2012	4,441.20
CIS of New Orleans	7/17/2012	894.92
CIS of New Orleans	8/15/2012	2,373.46
CIS of New Orleans	9/30/2012	2,054.28
CIS of New Orleans	9/30/2012	2,293.09
CIS of New Orleans	11/27/2012	2,565.69
CIS of New Orleans	12/18/2012	2,250.81
CIS of New Orleans	1/15/2013	6,313.26
CIS of New Orleans	2/13/2013	6,849.21
CIS of New Orleans	3/11/2013	7,410.54
CIS of New Orleans	4/15/2013	7,629.39
CIS of New Orleans	5/15/2013	6,695.08
CIS of New Orleans	6/12/2013	6,664.49
CIS of New Orleans	6/30/2013	1,400.70
CIS of New Orleans	8/21/2013	4,208.04
CIS of New Orleans	9/11/2013	4,390.14
CIS of New Orleans	9/30/2013	3,604.75

CIS of New Orleans	11/8/2013	4,492.72
CIS of New Orleans	12/9/2013	4,915.17
CIS of New Orleans	1/13/2014	4,304.10
CIS of New Orleans	2/28/2014	4,768.06
CIS of New Orleans	3/31/2014	4,384.06
CIS of New Orleans	3/31/2014	4,331.99
CIS of New Orleans	5/31/2014	5,307.26
CIS of New Orleans	6/30/2014	4,258.21
CIS of New Orleans Total		\$144,714.93
CIS of North Carolina, Inc	11/22/2011	2,760.52
CIS of North Carolina, Inc	11/30/2011	2,752.62
CIS of North Carolina, Inc	1/11/2012	4,104.42
CIS of North Carolina, Inc	2/15/2012	3,032.27
CIS of North Carolina, Inc	3/13/2012	3,847.42
CIS of North Carolina, Inc	3/31/2012	3,562.20
CIS of North Carolina, Inc	6/13/2012	13,089.35
CIS of North Carolina, Inc	6/19/2012	9,009.39
CIS of North Carolina, Inc	7/17/2012	11,272.49
CIS of North Carolina, Inc	9/19/2012	981.66
CIS of North Carolina, Inc	9/19/2012	3,391.03
CIS of North Carolina, Inc	9/30/2012	1,008.32
CIS of North Carolina, Inc	9/30/2012	3,493.05
CIS of North Carolina, Inc	11/27/2012	3,552.17
CIS of North Carolina, Inc	12/18/2012	6,503.46
CIS of North Carolina, Inc	1/9/2013	4,035.65
CIS of North Carolina, Inc	2/13/2013	10,979.69
CIS of North Carolina, Inc	3/11/2013	3,423.74
CIS of North Carolina, Inc	4/15/2013	9,139.01
CIS of North Carolina, Inc	5/6/2013	1,940.91
CIS of North Carolina, Inc	6/12/2013	5,554.73
CIS of North Carolina, Inc	7/15/2013	3,801.61
CIS of North Carolina, Inc	8/31/2013	1,964.82
CIS of North Carolina, Inc	9/30/2013	9,940.91
CIS of North Carolina, Inc	10/31/2013	2,646.09
CIS of North Carolina, Inc	12/9/2013	1,940.91
CIS of North Carolina, Inc	1/13/2014	4,330.23
CIS of North Carolina, Inc	2/28/2014	3,658.19
CIS of North Carolina, Inc	4/30/2014	3,264.01
CIS of North Carolina, Inc	5/31/2014	2,819.10
CIS of North Carolina, Inc	5/31/2014	3,314.69
CIS of North Carolina, Inc	6/30/2014	3,836.33

CIS of North Carolina, Inc Total		\$148,950.99
CIS of North Texas	9/30/2011	1,945.70
CIS of North Texas	11/16/2011	2,628.61
CIS of North Texas	12/20/2011	6,550.71
CIS of North Texas	1/18/2012	5,759.42
CIS of North Texas	2/15/2012	6,166.31
CIS of North Texas	3/13/2012	7,399.61
CIS of North Texas	4/11/2012	4,702.06
CIS of North Texas	5/23/2012	5,392.40
CIS of North Texas	6/13/2012	5,829.41
CIS of North Texas	7/17/2012	3,625.77
CIS of North Texas	8/15/2012	3,822.41
CIS of North Texas	9/12/2012	15,452.01
CIS of North Texas	9/30/2012	16,871.04
CIS of North Texas	12/18/2012	5,356.09
CIS of North Texas	12/18/2012	6,751.14
CIS of North Texas	1/15/2013	5,750.69
CIS of North Texas	2/15/2013	5,808.04
CIS of North Texas	3/19/2013	6,564.52
CIS of North Texas	4/15/2013	2,509.39
CIS of North Texas	5/15/2013	1,452.46
CIS of North Texas	6/12/2013	1,216.00
CIS of North Texas	7/15/2013	3,164.08
CIS of North Texas	8/21/2013	3,675.45
CIS of North Texas	9/18/2013	3,901.30
CIS of North Texas	9/30/2013	5,190.32
CIS of North Texas	11/8/2013	5,744.70
CIS of North Texas	12/9/2013	5,796.18
CIS of North Texas	1/13/2014	7,519.38
CIS of North Texas	2/28/2014	6,431.06
CIS of North Texas	3/31/2014	6,291.78
CIS of North Texas	3/31/2014	6,489.97
CIS of North Texas	5/31/2014	6,704.03
CIS of North Texas	6/30/2014	7,312.85
CIS of North Texas Total		\$189,774.89
CIS of Richmond, VA	11/30/2011	4,134.00
CIS of Richmond, VA	11/30/2011	4,134.00
CIS of Richmond, VA	1/18/2012	4,134.00
CIS of Richmond, VA	2/15/2012	4,134.00
CIS of Richmond, VA	3/31/2012	5,634.00
CIS of Richmond, VA	5/23/2012	4,134.00

CIS of Richmond, VA	5/23/2012	4,134.00
CIS of Richmond, VA	6/19/2012	4,134.00
CIS of Richmond, VA	8/15/2012	10,333.00
CIS of Richmond, VA	9/12/2012	2,287.92
CIS of Richmond, VA	9/12/2012	2,208.32
CIS of Richmond, VA	9/30/2012	7,044.15
CIS of Richmond, VA	11/27/2012	3,546.55
CIS of Richmond, VA	12/18/2012	6,063.87
CIS of Richmond, VA	1/16/2013	4,062.47
CIS of Richmond, VA	2/13/2013	4,772.15
CIS of Richmond, VA	3/31/2013	4,062.47
CIS of Richmond, VA	4/17/2013	3,493.62
CIS of Richmond, VA	5/22/2013	3,493.62
CIS of Richmond, VA	6/12/2013	4,329.09
CIS of Richmond, VA	6/30/2013	3,493.62
CIS of Richmond, VA	8/5/2013	4,204.18
CIS of Richmond, VA	8/31/2013	4,204.18
CIS of Richmond, VA	9/30/2013	4,204.18
CIS of Richmond, VA	11/8/2013	4,204.18
CIS of Richmond, VA	1/13/2014	5,329.18
CIS of Richmond, VA	2/28/2014	5,515.55
CIS of Richmond, VA	2/28/2014	4,204.18
CIS of Richmond, VA	4/30/2014	4,354.10
CIS of Richmond, VA	4/30/2014	4,204.18
CIS of Richmond, VA	5/31/2014	5,085.04
CIS of Richmond, VA Total		\$139,271.80
CIS of Wichita/Sedgwick County	9/30/2011	992.36
CIS of Wichita/Sedgwick County	12/20/2011	5,457.97
CIS of Wichita/Sedgwick County	1/11/2012	5,257.12
CIS of Wichita/Sedgwick County	2/15/2012	3,992.14
CIS of Wichita/Sedgwick County	2/15/2012	5,031.99
CIS of Wichita/Sedgwick County	3/13/2012	4,443.13
CIS of Wichita/Sedgwick County	4/24/2012	6,964.48
CIS of Wichita/Sedgwick County	5/31/2012	6,082.18
CIS of Wichita/Sedgwick County	6/19/2012	5,886.67
CIS of Wichita/Sedgwick County	7/17/2012	5,886.39
CIS of Wichita/Sedgwick County	8/15/2012	2,420.54
CIS of Wichita/Sedgwick County	9/19/2012	7,681.09
CIS of Wichita/Sedgwick County	9/30/2012	4,646.15
CIS of Wichita/Sedgwick County	11/27/2012	4,068.72
CIS of Wichita/Sedgwick County	12/18/2012	3,164.45

CIS of Wichita/Sedgwick County	1/9/2013	3,374.03
CIS of Wichita/Sedgwick County	2/13/2013	5,046.16
CIS of Wichita/Sedgwick County	3/19/2013	3,888.14
CIS of Wichita/Sedgwick County	4/17/2013	5,639.54
CIS of Wichita/Sedgwick County	5/15/2013	4,083.54
CIS of Wichita/Sedgwick County	6/12/2013	3,903.23
CIS of Wichita/Sedgwick County	7/15/2013	2,084.40
CIS of Wichita/Sedgwick County	8/21/2013	1,436.99
CIS of Wichita/Sedgwick County	9/18/2013	2,127.53
CIS of Wichita/Sedgwick County	9/30/2013	3,707.58
CIS of Wichita/Sedgwick County	11/8/2013	4,557.86
CIS of Wichita/Sedgwick County	12/9/2013	4,012.01
CIS of Wichita/Sedgwick County	1/13/2014	4,077.08
CIS of Wichita/Sedgwick County	2/28/2014	5,029.05
CIS of Wichita/Sedgwick County	3/31/2014	5,276.28
CIS of Wichita/Sedgwick County	6/30/2014	5,145.14
CIS of Wichita/Sedgwick County	6/30/2014	4,673.41
CIS of Wichita/Sedgwick County	6/30/2014	4,343.14
CIS of Wichita/Sedgwick County Total		\$144,380.49
TOTAL QUESTIONED COSTS		\$1,704,411.30

Source: CIS's accounting records as of June 30, 2014 and OIG analysis of questioned costs.

**COMMUNITIES IN SCHOOLS, INC.
ARLINGTON, VIRGINIA
RESPONSE TO DRAFT AUDIT REPORT¹¹**



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February 12, 2015

John Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General
U.S. Department of Justice
1300 N. 17th Street, Suite 3400
Arlington, VA 22209

Re: Communities in Schools – Office of Juvenile Justice and Delinquency Prevention Grant No. 2011-JU-FX-0006, Office of Inspector General Draft Audit Report

Dear Mr. Manning:

Communities in Schools (“CIS”) appreciates this opportunity to respond to the U.S. Department of Justice (“DOJ”), Office of the Inspector General’s (“OIG’s”) draft audit report entitled “Audit of the Office of Justice Programs Office of Juvenile Justice and Delinquency Prevention Award to Communities in Schools, Inc., Arlington, Virginia” received on January 9, 2015.

CIS is a not-for-profit corporation organized and in good standing under the laws of the State of Georgia and with its principal offices in Arlington, Virginia. CIS is a public charity exempt from federal income taxation under Section 501(c)(3) of the Internal Revenue Code of 1986. Its charitable purpose is to increase public awareness of the deleterious effects of “dropping out” of school on individuals and American society as a whole, and to address those harmful effects through a variety of means including, but not limited to, public advocacy, policy research, and dissemination of information.

In that connection – and in furtherance of its charitable purposes – CIS received federal financial assistance from DOJ’s Office of Juvenile Justice and Delinquency Prevention (“OJJDP”) under OJJDP Grant No. 2011-JU-FX-0006 as part of OJJDP’s Multi-State Mentoring Initiative. The total amount of the award was \$2,500,000 with a period of availability of funds of thirty-six months starting July 1, 2011 and ending June 30, 2014. The grant supported activities geared toward discouraging dropping out of school by means of increasing mentoring services to high-risk and underserved student populations. CIS carried out the bulk of the substantive work under the award through local community organizations across the country.

The OIG draft audit report indicates that the scope of the audit performed covered the full award period. The audit consisted of a review of CIS’s internal controls, its compliance with federal reporting requirements, progress toward performance goals, oversight and control over budgets, practices relating to draws from federal accounts, allowability of expenditures charged to CIS’s federal award, and CIS’s monitoring of its subrecipients.

Daniel J. Cardinal
President

¹¹ Attachments to this response were not included in this final report.

The results of the audit are as follows:

1. *Internal Controls* – The OIG found that CIS’s internal control activities with respect to the OJJDP award are compliant with federal standards with the exception of a weakness in subrecipient oversight and monitoring. That issue is the subject of a separate finding.
2. *Financial Reporting* – The OIG determined that CIS’s periodic financial status reports were both timely and accurate.
3. *Progress Reporting* – The OIG found that a judgmental sample of reports containing program measures from January 1, 2013 through December 31, 2013 showed discrepancies between what CIS reported and what the OIG was able to discern from source data supplied by subrecipients. After noting CIS’s explanations as to why the discrepancies might exist, the OIG recommended that CIS be required to implement steps to “ensure that inaccurate or incomplete tracking system data is corrected in a timely manner,” and to “maintain tracking system data that reconciles to the OJJDP progress reports.” It is important to note that in all cases CIS under reported data.
4. *Progress Toward Programmatic Goals/Accomplishments* – After reviewing the milestones as proposed in the relevant applications and award documents, interviewing relevant awardee and/or subrecipient staff, and examining the results shown in the subrecipient records, the OIG determined that the outcomes of the funded activities were substantially “[c]onsistent with the overall goals and objectives of the grant”
5. *Budget to Actual Comparison* – The OIG concluded that CIS and its subrecipient’s expended grants funds in accordance with approved budgets.
6. *Timeliness and Appropriateness of Drawdowns* – The OIG found that CIS’s draws from its federal awards were made in amounts necessary to meet its immediate cash needs in compliance with federal requirements. The OIG noted, however, that \$177,646 of the total award remains in the hands of the federal government after CIS’s last drawdown on May 5, 2014. The amounts charged to the award as of May 5, 2014 did not cover a number of eligible expenses incurred through the end of the award period. The OIG recommended that OJJDP “deobligate and put to better use [the unexpended] \$177,646”
7. *Cost Allowability* – The OIG’s review of expenditures under the OJJDP award yielded findings with respect to two general categories of charges. The first relates to subrecipient costs. The OIG determined that CIS did not maintain complete records supporting the allowability of its subrecipient costs (consisting largely of compensation for mentor services), and that the OIG’s efforts to obtain such records directly from CIS’s subrecipients were unfruitful. In light of the failure to locate adequate supporting documentation for the sampled subrecipient transactions, the OIG questions the full \$1,704,411 in grant funds distributed to subrecipients.

The second – but related – question the OIG raises pertains to indirect costs. Although the OIG found that CIS properly applied its indirect cost rate in charging indirect expenses to the OJJDP award, it questions \$102,140 of the total \$153,388 indirect costs claimed. The \$102,140 figure appears to correspond to the portion of the indirect costs attributable to the questioned \$1,704,411 in direct charges for subrecipient activities.

8. *Subrecipient Monitoring* – The OIG found that CIS’s systems for supervising subrecipients were inadequate to the extent that it did not “(1) evaluate sub-recipient financial management systems or (2) require sub-recipients to submit detailed financial information such as timesheets, invoices, or ledgers to support their expenditures claimed for reimbursement.”
9. *Background Check Special Condition* – Based on a review of one set of mentor files from each of CIS’s ten local subrecipients, the OIG concluded that one “could not readily produce documents showing that it tracked its mentors and their background check dates,” and that “[t]hree could not produce sufficient records that demonstrated the specific results of the sampled mentor background check.” The OIG “also could not verify that the sampled mentors from three of the sub-recipients . . . tested passed a background check before working with minors.” As a consequence, the OIG recommended that the grantor agency require CIS to strengthen its procedures with respect to monitoring and oversight of subrecipient background check practices.

The following sets forth CIS’s responses to the findings in the draft report. For the sake of brevity, we address only those findings that call for some manner of remedial action by OJJDP.

Recommendation #1 –

“Require CIS to implement procedures for future DOJ grant funding to (1) ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) maintain tracking system data that reconciles to the OJJDP progress reports.”

CIS concurs with this recommendation and has taken action consistent with the OIG’s suggestion. Based on CIS’s discussions with the OIG auditors and the concerns that they raised regarding the discrepancies noted as between the CIS progress reports and the subrecipients’ source data, CIS adopted a set of revised policies in December 2014 entitled “CIS National – Improved Policies Related to Background Checks & Data Reporting” (attached hereto as Exh. A).

That policy calls for subrecipients to enter all performance reporting elements “at least monthly into the approved case management system,” and provides that CIS will verify the data entered at least quarterly. Where CIS identifies discrepancies, it will work with the appropriate subrecipient(s) to resolve any variance, and it will be the subrecipient’s responsibility to record

any revisions/corrections within forty-eight hours of notification. CIS will thereafter transmit the verified data to the grantor agency.

The policy also makes special provision for subrecipients in Texas (where CIS does not have direct access to the performance reporting system) and for situations where subrecipients make adjustments to performance data after submission to OJJDP. *See* Exh. A at 2.

CIS believes that implementation of the December 2014 policy will substantially reduce – and perhaps eliminate – the incidence of variations between the data reported to OJJDP and those recorded at the CIS and subrecipient level. It will likewise ensure that any inaccuracies/inconsistencies are corrected in a timely fashion.

Recommendation #2 –

“Deobligate and put to better use \$177,646, the remaining funds in grant number 2011-JU-FX-0006.”

CIS disagrees with this recommendation. The sole rationale on which the recommendation rests is that \$177, 646 remains available to charge eligible expenses incurred during the period of availability of funds. As the draft report acknowledges, the \$177,646 figure represents the portion of the award still in federal accounts following CIS’s last drawdown on May 5, 2014.

CIS, however, continued to incur eligible costs after May 5, 2014 and must be permitted to charge those costs to its award. These costs would include those associated with the mentoring activities that were the subject of the award.

At a minimum, this means that any recommendation to deobligate any funds is premature until there is a full accounting of costs chargeable to the award through the closeout period. It is only after such an accounting that OJJDP will be able to discern whether there are, in fact, any residual grant funds.

Recommendation #3 –

“Remedy \$1,704,411 in questioned costs.”

CIS disagrees with this recommendation to the extent that it calls for disallowance or other enforcement action. There are several factors that CIS believes mitigate the amount of questioned costs relating to subrecipient expenditures.

First, as a matter of methodology, CIS understands that the OIG questioned the full amount of the subrecipient costs charged to the award based on a judgmental sample of twenty-three subrecipient transactions. There are more than 380 transactions that are the subject of the \$1,704,411 in questioned costs.

Given that the sample represents somewhere between 7.3% and 7.4% of total transactions, it is likely that the OIG's sampling practice allows only limited reliance on the results of the testing, and, as noted elsewhere in the draft report with respect to other sampling performed during the OIG's review, would not permit extrapolation of the observations to the universe of all subrecipient transactions.

It is for this reason that CIS believes that the questions raised in the draft report may warrant further investigation but do not, in and of themselves, support disallowance at this time.

Second, in the time since the OIG's completion of its field work and the issuance of the draft report, CIS has undertaken to obtain from its subrecipients documentation supporting the expenses charged to the OJJDP award. The results of those efforts are as follows:

1. **CIS of Cape Fear, NC, \$190,428.90 questioned** – CIS has reviewed invoices from CIS of Cape Fear, NC for all transactions listed in Appendix III at pp. 17-18 of the draft report. *See* Exh. B. The salary charges questioned for the site coordinator were supported by timesheets but some timesheets lacked clarification on how descriptions were used. The affiliate has since provided explanations to support timesheet charges. In addition, the OIG raised questions over the propriety of the fringe benefit rate charged to the OJJDP award. CIS performed a reconciliation and determined that application of the subrecipient's fringe benefit rate resulted in an overbilling of \$1,881.89.
2. **CIS of Cleveland County, \$142,769.54 questioned** – The subrecipient is in the process of obtaining signed certifications from its staff and former staff who were devoted 100% to OJJDP-supported activities over the course of the award.
3. **CIS of Heart of Texas, \$135,034.06 questioned** – Based on discussions with the OIG during the exit conference, CIS understands that the OIG's chief concern about the subrecipient charges relates to charges for AmeriCorps employees working on the OJJDP award who did not have timesheets reflecting their work. CIS paid these employees in the form of stipends (as opposed to salaries), and CIS has confirmed with OJJDP that this practice was proper. *See* Exh. C.
4. **CIS of Laurens County, \$145,833.18 questioned** – Based on discussions with the OIG during the exit conference, CIS understands that the OIG's chief concern about the subrecipient charges relates to the propriety of the salary and fringe benefit rate charged to the OJJDP award. CIS performed a reconciliation and determined that Laurens County did overbill salary for year 1 of the grant. *See* Exh. D. However, fringe benefits were underbilled for year 1 resulting in a net overbilling of approximately \$5,000 in year 1, but a cumulative underbilling over the course of the entire award period.
5. **CIS of Miami, \$138,616.32 questioned** – CIS believes that a portion of the amount questioned by the OIG will be offset by charges for personal compensation eligible

under the award and supported by timesheets but not previously charged to the award. CIS is in the process of gathering supporting documentation.

6. **CIS of Montgomery County, \$145,323.02 questioned** – CIS is in the process of obtaining from the subrecipient signed certifications from the site coordinator to the effect that work related 100% to the OJJDP award.
7. **CIS of New Orleans, \$144,714.93 questioned** – CIS understands from its discussions with the OIG during the exit conference that the OIG’s chief concern relates to lack of support for compensation charges for one employee devoted 100% to OJJDP-supported activities. *See* Exh. E. CIS has now obtained signed certifications for that employee from the subrecipient. CIS of New Orleans also had a \$20 discrepancy on an invoice selected for testing. CIS looked at a one year period of data and found that over that period CIS of New Orleans underbilled the grant.
8. **CIS of North Carolina, \$148,950.99 questioned** – While the OIG’s chief concern was that there were discrepancies in how the affiliates payroll system billed time to the OJJDP grant, the affiliate did perform an annual reconciliation to reflect actual employee costs. CIS has obtained from the subrecipient its reconciliations for the entire award period which show no significant difference between the amount billed to the award and the amount supported by employee timesheets. *See* Exh. F.
9. **CIS of Wichita, \$144,380.49 questioned** – While the affiliate did have all supporting documentation requested the OIG’s concern was that the affiliate calculated salaries to the OJJDP grant by taking hours worked multiplied by the hourly rate instead of taking percent of time worked multiplied by the salary. CIS has obtained supporting documentation for personal compensation costs charged to the OJJDP award for the full award period. *See* Exh. G. In addition, the subrecipient has performed a reconciliation for all three years of the award and has determined that there was an overcharge of \$6,034.29 as of May 2014, but there is an outstanding amount due of approximately \$2,500 that has yet to be billed for June 2014, leaving a net overpayment to this subrecipient of roughly \$3,500.

CIS continues to work with its subrecipients to locate and produce the records necessary to support their compensation charges. In those cases where a subrecipient is unable to generate the manner of documentation contemplated under the cost principles, CIS will work with OJJDP to identify and gather alternative documentation that it deems to be satisfactory support for grant charges.

Finally, CIS notes that the OIG observes that CIS did not “require sub-recipients to submit detailed financial information such as timesheets, invoices, or ledgers to support their expenditures claimed for reimbursement.” CIS does not read the uniform administrative requirements and/or applicable cost principles to demand either that CIS itself maintain records to demonstrate the allowability of subrecipient costs or that CIS require its subrecipients provide evidence of cost allowability prior to advance draws. Rather, CIS need only ensure

that subrecipients maintain proof that its costs claimed under an award are allowable, and that CIS retain a right of access to a subrecipient's books to verify charges to an award. In this regard, CIS disputes any suggestion that the absence of complete subrecipient records in CIS's files reflects a failure to comply with governing standards.

Recommendation #4 –

“Remedy \$102,140 in unsupported indirect costs.”

The resolution of this issue will presumably turn on whether and to what extent the costs questioned under Recommendation #3 are determined to be unallowable. As indicated above, CIS looks forward to working with OJJDP to address both of these matters.

Recommendation #5 –

“Ensure CIS continues to implement its fiscal monitoring plan to ensure controls are in place over how sub-recipients spend future DOJ grant funds.”

CIS agrees with this recommendation and intends to oversee subrecipient activities precisely as promised moving forward. CIS has already carried out the mandatory subrecipient trainings described in its fiscal monitoring plan and will continue to provide such trainings in the futures. CIS has also implemented policies requiring submission of detailed documentation by subrecipients to permit CIS to confirm that their claims against grant funds are proper. As the draft report acknowledges, these actions represent “important steps to enhance CIS's sub-recipient monitoring capability”

Recommendation #6 –

“Require CIS to strengthen its sub-recipient background check verification requirements and procedures.”

Based on CIS's discussions with the OIG auditors and the concerns that they raised regarding the discrepancies noted as between the CIS progress reports and the subrecipients' source data, CIS adopted a set of revised policies in December 2014 entitled “CIS National – Improved Policies Related to Background Checks & Data Reporting” (attached hereto as Exh. A).

That policy prohibits any subrecipient from placing a mentor with a student prior to completion of a background check and requires subrecipients to maintain primary source documentation of satisfactory completion of such reviews. The policy also recommends that subrecipients conduct background checks through relevant local, State, and national authorities. CIS will monitor compliance at least twice yearly.

CONCLUSION

Once again, CIS greatly appreciates the opportunity to respond to the OIG's draft report, and we look forward to working with OJJDP to resolve any remaining concerns it might have over the matters raised in the draft report.

Sincerely,

A handwritten signature in cursive script that reads "Janice K. Bigelow".

Janice K. Bigelow
Chief Financial and Administrative Officer

**OFFICE OF JUSTICE PROGRAMS
RESPONSE TO DRAFT AUDIT REPORT**



U.S. Department of Justice


Office of Justice Programs

Office of Audit, Assessment, and Management

Washington, D.C. 20531

FEB 20 2015

MEMORANDUM TO: John J. Manning
Regional Audit Manager
Washington Regional Audit Office
Office of the Inspector General

FROM: Jeffery A. Haley 
Acting Director

SUBJECT: Response to the Draft Audit Report, *Office of Justice Programs, Office of Juvenile Justice and Delinquency Prevention Award to Communities in Schools, Inc., Arlington, Virginia*

This memorandum is in reference to your correspondence, dated January 9, 2015, transmitting the above-referenced draft audit report for Communities in Schools, Inc. (CIS). We consider the subject report resolved and request written acceptance of this action from your office.

The draft report contains six recommendations; \$1,806,551 in questioned costs; and \$177,646 in funds put to better use. The following is the Office of Justice Programs' (OJP) analysis of the draft audit report recommendations. For ease of review, the recommendations are restated in bold and are followed by our response.

1. **We recommend that OJP require CIS to implement procedures for future DOJ grant funding to: (1) ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) maintain tracking system data that reconciles to the OJJDP progress reports.**

OJP agrees with the recommendation. We will coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure that:

- (1) inaccurate or incomplete tracking system data is corrected in a timely manner, and
- (2) a tracking system is maintained, which reconciles data to future semi-annual progress submitted to OJP's Office of Juvenile Justice and Delinquency Prevention (OJJDP).

2. **We recommend that OJP deobligate and put to better use \$177,646, the remaining funds in grant number 2011-JU-FX-0006.**

OJP agrees with the recommendation. Once CIS has submitted the final Federal Financial Report for grant number 2011-JU-FX-0006, which accurately reflects the cumulative, adjusted Federal expenditures charged to the grant, OJP will deobligate any unobligated funds during closeout of the grant.

3. We recommend that OJP remedy \$1,704,411 in questioned costs.

OJP agrees with the recommendation. We will coordinate with CIS to remedy the \$1,704,411 in questioned costs, related to unsupported subrecipient expenditures, which were charged to grant number 2011-JU-FX-0006.

4. We recommend that OJP remedy \$102,140 in unsupported indirect costs.

OJP agrees with the recommendation. We will coordinate with CIS to remedy the \$102,140 in questioned costs, related to unsupported indirect costs, which were charged to grant number 2011-JU-FX-0006.

5. We recommend that OJP ensure that CIS continues to implement its fiscal monitoring plan to ensure controls are in place over how sub-recipients spend future DOJ grant funds.

OJP agrees with the recommendation. We will coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure adequate oversight is established for Federal grant funds awarded to its subrecipients.

6. We recommend that OJP require CIS to strengthen its sub-recipient background check verification requirements and procedures.

OJP agrees with the recommendation. We will coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure that its subrecipients strengthen controls related to background check verification requirements and procedures.

We appreciate the opportunity to review and comment on the draft audit report. If you have any questions or require additional information, please contact Linda J. Taylor, Lead Auditor, Audit Coordination Branch, Audit and Review Division, on (202) 514-7270.

cc: Linda J. Taylor
Lead Auditor, Audit Coordination Branch
Audit and Review Division
Office of Audit, Assessment, and Management

Robert L. Listenbee
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Control Number IT20150112110757

**OFFICE OF THE INSPECTOR GENERAL
ANALYSIS AND SUMMARY OF ACTIONS
NECESSARY TO CLOSE THE REPORT**

The OIG provided a draft of this audit report to Communities in Schools, Inc. (CIS) and the Office of Justice Programs (OJP). CIS's response is incorporated as Appendix 4 of this final report, and OJP's response is included as Appendix 5. The following provides the OIG's analysis of the responses and summary of actions necessary to close the report.

Analysis of CIS and OJP Responses

CIS provided an initial response to our draft report on February 13, 2015, that provided background on CIS, general observations related to this audit, a summary of each of the sections of the audit, additional documents related to the questioned costs, and points specifically addressing each audit recommendation, which are discussed in detail below.

In providing a summary of the progress reporting section, CIS stated it felt it was important to note that in all cases CIS under-reported data. While in many cases that is true, as laid out in Table 1, the OIG was unable to validate the information reported in the progress reports and found that, based on the support provided to the audit team, in some cases CIS over-reported the data.

CIS also took issue with the amount of direct sub-recipient and associated indirect costs that we question in the report. CIS stated that the OIG could not extrapolate the findings of its sample to the universe of all sub-recipient transactions. We adjusted the report to emphasize that the basis for our decision to question all direct sub-recipient costs and associated indirect costs was grounded on the financial monitoring and record-keeping shortcomings that we found to be pervasive during our audit, rather than an extrapolation of the sample. During our audit work, we found CIS did not provide financial oversight, did not assess sub-recipient financial systems, and did not require the sub-recipients to submit detailed financial information to support expenditures claimed for reimbursement, and it therefore did not have on hand the records necessary to support sub-recipient pass-through costs. CIS officials confirmed that CIS did not request, review, or maintain supporting documents from its sub-recipients before reimbursing them for reported costs.

In its response to the draft report, CIS expressed the view that it does not itself need to maintain records to demonstrate that sub-recipient costs are allowable, nor must it require its sub-recipients to provide evidence that costs are allowable prior to advance draws. CIS instead stated that it only needs to retain the right of access to a sub-recipient's records to verify charges to an award. However, we note that during our audit, when we requested that CIS produce

documents to support a sample of sub-recipient expenditures, CIS was unable to leverage this right of access to obtain adequate documents at the time of request. We identified CIS's inability to readily provide satisfactory sub-recipient information early in our audit. Rather than issue our report at that time, we allowed CIS and its sub-recipients additional time to provide documents to demonstrate that CIS's approach to sub-recipient monitoring was adequate to ensure its sub-recipients' costs were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant.

We also attempted to work directly with CIS sub-recipients to try to obtain support that would have demonstrated CIS's procedures resulted in adequate record maintenance and retention on the part of the sub-recipients. However, the sub-recipients were not able to readily locate the required support. In addition, we noted that one sub-recipient had ceased operations during the grant performance period, and CIS could not provide documents supporting the costs associated with this sub-recipient.

Despite our efforts to work with CIS and its sub-recipients to identify supporting documents that would be indicative of an adequate monitoring and reimbursement environment, we found CIS could not provide reliable or adequate information by the time of the exit conference, despite extensions. This was due to the fact that CIS had neither maintained this information itself, nor implemented a sub-recipient monitoring process that enabled it to collect or readily access support for sub-recipient expenditures. As a result, at the time of drafting, we concluded CIS was generally unable to ensure the costs claimed by the sub-recipients were allowable, supported, or in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. We also found CIS could not demonstrate that sub-recipients adequately tracked and safeguarded grant funds, nor could it produce evidence showing how sub-recipients specifically spent funds. We therefore questioned all sub-recipient costs in our draft audit report.

Since the time of the exit conference and the issuance of the draft report, CIS made efforts to obtain support for costs that we questioned in the report. We carefully reviewed these documents and, as detailed below under recommendations 3 and 4, subtracted the supported sub-recipient direct and indirect costs from the total amount questioned in our draft audit report.

In its response, OJP concurred with our recommendations and indicated that it considered this audit resolved. OJP did not request closure of the recommendations and stated that it will coordinate with CIS to address our recommendations. Prior to the issuance of this report, OJP also took steps to remedy the situation including freezing CIS grant funds and designating CIS as a high-risk grantee.

Summary of Actions Necessary to Close the Report:

- 1. Require CIS to implement procedures for future DOJ grant funding to (1) ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) maintain tracking system data that reconciles to the OJJDP progress reports.**

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure that: (1) inaccurate or incomplete tracking system data is corrected in a timely manner, and (2) a tracking system is maintained, which reconciles data to future semi-annual progress reports submitted to OJP's Office of Juvenile Justice and Delinquency Prevention (OJJDP).

In its response, CIS concurred with our recommendation and stated that it has taken action consistent with the recommendation. CIS developed a policy that requires affiliates to enter relevant data into the CIS approved case management system. CIS's policy states that it will verify the data at least quarterly and will work with each affiliate to rectify any discrepancies. In the case that discrepancies are found, CIS's policy requires that affiliates update the CIS case management system and/or the template and submit corrections within 48 hours. Once the data is verified and matched, CIS will take a sample screenshot of data entered in the case management system for each affiliate before entry into the grantor's data reporting system.

While CIS's written policy appears to adequately address our recommendation to ensure that inaccurate or incomplete tracking system data is corrected in a timely manner, and to maintain tracking system data that reconciles to the OJJDP progress reports, this recommendation can be closed when we receive documentation demonstrating that CIS has implemented its procedures.

- 2. Deobligate and put to better use \$177,646, the remaining funds in grant number 2011-JU-FX-0006.**

Resolved. OJP agreed with our recommendation. OJP stated that once CIS has submitted the final Federal Financial Report for grant number 2011-JU-FX-0006, which accurately reflects the cumulative, adjusted federal expenditures charged to the grant, OJP will deobligate any unobligated funds during closeout of the grant.

CIS did not agree with this recommendation on the grounds that CIS continued to incur eligible expenses after its most recent drawdown on May 5, 2014. CIS maintains that the amount of funds to better use must take into account an assessment of grant activity and associated expenses through the closeout period. Given OJP's response, this recommendation can be closed when OJP deobligates any unobligated funds after CIS submits its

final Federal Financial Report for grant number 2011-JU-FX-0006, which accurately reflects the cumulative, adjusted federal expenditures charged to the grant.

3. Remedy \$1,704,411 in unsupported sub-recipient pass-through costs reimbursed with grant funds.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with CIS to remedy the \$1,704,411 in questioned costs, related to unsupported sub-recipient expenditures, which were charged to grant number 2011-JU-FX-0006.

CIS disagreed with our recommendation to the extent that it called for disallowance or other enforcement action. CIS stated that it believes several factors exist that mitigate the amount of questioned costs, including: (1) the OIG's sampling methodology, (2) CIS efforts to obtain support since the completion of OIG fieldwork and the exit conference, and (3) CIS's view that it does not itself need to maintain records to demonstrate that sub-recipient costs are allowable, nor require its sub-recipients to provide evidence that costs are allowable prior to advance draws. CIS instead submitted that it only needs to retain the right of access to a sub-recipient's records to verify charges to an award.

Grant rules require that to be allowable under federal awards, costs must be reasonable, allocable, and necessary to the project, and they must comply with the funding statute requirements. The Financial Guide also states that as the primary award recipient, CIS is responsible for monitoring the sub-recipient and ascertaining that all fiscal and programmatic responsibilities are fulfilled. In performing our audit, we found that CIS officials did not properly monitor sub-recipients and therefore were unable to ensure the costs claimed were allowable, supported, and in accordance with applicable laws, regulations, guidelines, and terms and conditions of the grant. Therefore, we considered the sub-recipient pass-through costs reimbursed with grant funds as unsupported expenditures.

As part of its response to the draft report, CIS provided additional supporting documentation for 6 of the 12 sub-recipients. We reviewed the supporting documentation, including payroll records, timesheets, certifications, and reconciliations and were able to reduce the amount of unsupported costs associated with this recommendation by \$621,351. Table 3 summarizes the status of the remaining \$1,083,061 in unsupported costs. This recommendation can be closed when we receive evidence showing that OJP has remedied the remaining \$1,083,061 in unsupported questioned costs.

Table 3
Status of Questioned Costs

Sub recipient	Questioned Costs (\$)	Resolved (\$)	Remaining Questioned Costs (\$)	Notes
CIS of Arizona	39,313.18	0	39,313.18	CIS provided no additional information or support for these costs.
CIS of Cape Fear, NC	190,428.90	0	190,428.90	CIS provided a reconciliation of all salaries and benefits charged by the sub-recipient. The reconciliation showed that the sub-recipient overbilled the grant by \$1,882. However, based on our review, we determined that formulas used within the reconciliation were not always consistently applied and therefore could not determine the accurate amount of supported costs.
CIS of Cleveland County	142,769.54	0	142,769.54	CIS stated that the sub-recipient is in the process of obtaining signed certifications to support the grant related activities.
CIS of Heart of Texas	135,034.06	135,034.06	0	CIS provided additional support for the questioned costs, including a description of the work performed by the AmeriCorp member and OJJDP's approval of the time allocation to the grant. We confirmed that the description of work performed was consistent with the approved application and the amount paid was less than the approved budget.
CIS of Laurens County, GA	145,833.18	145,661.98	171.20	CIS provided a signed certification, payroll registers, and a reconciliation of salary and benefits charged to the grant. Based on this reconciliation, in year one, the sub-recipient over-billed the grant for salary by \$5,135. In years 2 and 3, the sub-recipient under-billed for fringe benefits by \$4,964, which resulted in over-billing the grant by at least \$171.
CIS of Miami	138,616.32	0	138,616.32	CIS stated that a portion of the amount questioned will be offset by charges for personal compensation eligible under the award and supported by timesheets but not previously charged.
CIS of Montgomery County	145,323.02	0	145,323.02	CIS stated that the sub-recipient is in the process of obtaining signed certifications to support the grant-related activities.

Sub recipient	Questioned Costs (\$)	Resolved (\$)	Remaining Questioned Costs (\$)	Notes
CIS of New Orleans	144,714.93	50,860.02	93,854.91	CIS provided signed certifications, payroll data, and a reconciliation of salaries and benefits charged to the grant by the sub-recipient for the period from July 2013 to May 2014. Based on the reconciliation and the supporting documentation, the sub-recipient under-billed the grant by \$1,916 for that period. CIS did not provide additional information, such as reconciliation or payroll data, for costs charged to the grant prior to July 2013. Therefore costs charged to the grant prior to July 2013 remain questioned.
CIS of North Carolina, Inc.	148,950.99	148,950.99	0	CIS provided timesheets, payroll registers, and a reconciliation of all salary and benefits charged to the grant by the sub-recipient. Based on the reconciliation and the associated support provided, we found that the sub-recipient under-billed the grant for salary and fringe benefits.
CIS of North Texas	189,774.89	0	189,774.89	CIS provided no additional information or support for these costs.
CIS of Richmond, VA	139,271.80	0	139,271.80	CIS provided no additional information or support for these costs.
CIS of Wichita / Sedgwick County	144,380.49	140,843.49	3,537	CIS provided payroll registers, timesheets and a reconciliation of all salary and benefits charged to the grant by the sub-recipient. Based on our review, the payroll register and timesheets support the overall reconciliation. However, based on the reconciliation, the sub-recipient over-billed the grant by \$3,537.
TOTAL	\$1,704,411.30	\$621,350.54	\$1,083,060.76	

Source: OIG analysis of supporting documentation provided by CIS as part of the response to the draft report.

4. Remedy \$102,140 in unsupported indirect costs.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with CIS to remedy the \$102,140 in questioned costs, related to unsupported indirect costs, which were charged to grant number 2011-JU-FX-0006.

In its response, CIS acknowledged the \$102,140 figure appears to correspond to the portion of the indirect costs attributable to the questioned \$1,704,411 in direct charges for sub-recipient activities. CIS stated that it looks forward to working with OJJDP to address the matter.

As part of its response to the draft report, CIS provided additional supporting documentation for costs associated with 6 of the 12 sub-recipients. We reviewed the supporting documentation and were able to reduce the amount of unsupported costs by \$621,351. This reduced the amount of questioned indirect costs by \$40,478. This recommendation can be closed when we receive evidence showing that OJP has remedied the remaining \$61,662 in unsupported indirect costs.

5. Ensure CIS continues to implement its fiscal monitoring plan to ensure controls are in place over how sub-recipients spend future DOJ grant funds.

Resolved. OJP agreed with our recommendation. OJP stated that it would coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure adequate oversight is established for federal grant funds awarded to its sub-recipients.

In its response, CIS concurred with our recommendation and stated that it intends to oversee sub-recipient activities as promised moving forward. CIS has provided mandatory sub-recipient training and will continue to provide such trainings in the future. Further, CIS has implemented policies requiring submission of detailed documentation by sub-recipients to ensure claims against grant funds are proper.

This recommendation can be closed when we receive evidence that CIS has continued to implement its fiscal monitoring plan and can prove that controls are in place over how sub-recipients spend grant funds.

6. Require CIS to strengthen its sub-recipient background check verification requirements and procedures.

Resolved. OJP agreed with our recommendation. OJP stated that it will coordinate with CIS to obtain a copy of written policies and procedures, developed and implemented, to ensure that its sub-recipients strengthen controls related to background check verification requirements and procedures.

In its response, CIS stated that it adopted a set of revised policies in December 2014 entitled, "CIS National – Improved Policies Related to Background Checks & Data Reporting." As part of its response, CIS provided a copy of the written policy, which includes a requirement for monitoring completion of background checks twice a year. The policy states that CIS will generate or obtain a complete list of volunteer/mentor names who are actively working with students. CIS will sample the active mentors and obtain copies of the completed checks. As part of its written policy, CIS stated that if the monitoring process reveals an incomplete background check, CIS will immediately freeze funds and notify the local affiliate that further investigation of the problem will occur by CIS. A zero tolerance policy will be in place regarding incomplete background checks and the Network Committee of the National Board will be notified and the affiliate's accreditation status will be reevaluated.

Further, the written policy that CIS provided prohibits any sub-recipient from placing a mentor with a student prior to completion of a background check and requires that sub-recipients maintain primary source documentation of satisfactory completion of such reviews. While the policy states that checks may be performed at the national, state and/or local level, CIS recommends that a check be completed at all levels. The policy also recommends annual checks. However, at a minimum, background checks are required to be completed every 3 years. Finally, the policy states that regardless of school district or state laws, volunteers/mentors will not be able to work with youth until the background check process is completed.

While CIS written policy appears to adequately address our recommendation to strengthen background check verification requirements, this recommendation can be closed when we receive documentation demonstrating that CIS has implemented its policy.

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